

Flagstar Bancorp, Inc. (NYSE: FBC)

2015 Annual Meeting of Shareholders

May 28, 2015



General procedures

Christine Reid, Corporate Secretary

Welcome

John Lewis, Chairman

Proposals and voting

Sandro DiNello, CEO

Business overview

Sandro DiNello, CEO

Cautionary statement

This report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements are based on management's current expectations and assumptions regarding the Company's business and performance, the economy and other future conditions, and forecasts of future events, circumstances and results. However, they are not guarantees of future performance and are subject to known and unknown risks, uncertainties, contingencies and other factors. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and variations of such words and similar expressions are intended to identify such forward-looking statements. The Company's actual results or outcomes may vary materially from those expressed or implied in a forward-looking statement. Accordingly, we cannot and do not provide you with any assurance that our expectations will in fact occur or that actual results will not differ materially from those expressed or implied by such forward-looking statements. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements or our objectives and plans will be achieved.

Factors that could cause future results to differ materially from historical performance and these forward-looking statements include, but are not limited to, the following items:

1. General business and economic conditions, including unemployment rates, movements in interest rates, the slope of the yield curve, any increase in mortgage fraud and other related activity and the changes in asset values in certain geographic markets, that affect us or our counterparties;
2. Volatile interest rates, and our ability to effectively hedge against them, which could affect, among other things, (i) the overall mortgage business, (ii) our ability to originate or acquire loans and to sell assets at a profit, (iii) prepayment speeds, (iv) our cost of funds and (v) investments in mortgage servicing rights;
3. The adequacy of our allowance for loan losses and our representation and warranty reserves;
4. Changes in accounting standards generally applicable to us and our application of such standards, including in the calculation of the fair value of our assets and liabilities;
5. Our ability to borrow funds, maintain or increase deposits or raise capital on commercially reasonable terms or at all and our ability to achieve or maintain desired capital ratios;
6. Changes in material factors affecting our loan portfolio, particularly our residential mortgage loans, and the market areas where our business is geographically concentrated or further loan portfolio or geographic concentration;
7. Changes in, or expansion of, the regulation of financial services companies and government-sponsored housing enterprises, including new legislation, regulations, rulemaking and interpretive guidance, enforcement actions, the imposition of fines and other penalties by our regulators, the impact of existing laws and regulations, new, changed or reduced roles or guidelines of government-sponsored entities, changes in regulatory capital ratios, and increases in deposit insurance premiums and special assessments of the Federal Deposit Insurance Corporation;
8. Our ability to comply with the terms and conditions of the Supervisory Agreement with the Board of Governors of the Federal Reserve and the Bank's ability to comply with the Consent Order of the Office of Comptroller of the Currency and the Consent Order of the Consumer Financial Protection Bureau and our ability to address any further matters raised by these regulators, and other regulators or government bodies;
9. Our ability to comply with the terms and conditions of the agreement with the U.S. Department of Justice and the impact of compliance with that agreement and our ability to accurately estimate the financial impact of that agreement, including the fair value and timing of the future payments;
10. The Bank's ability to make capital distributions and our ability to pay dividends on our capital stock or interest on our trust preferred securities;
11. Our ability to attract and retain senior management and other qualified personnel to execute our business strategy, including our entry into new lines of business, our introduction of new products and services and management of risks relating thereto, and our competing in the mortgage loan originations, mortgage servicing and commercial and retail banking lines of business;
12. Our ability to satisfy our mortgage servicing and subservicing obligations and manage repurchases and indemnity demands by mortgage loan purchasers, guarantors and insurers;
13. The outcome and cost of defending current and future legal or regulatory litigation, proceedings or investigations;
14. Our ability to create and maintain an effective risk management framework and effectively manage risk, including, among other things, market, interest rate, credit and liquidity risk, including risks relating to the cyclicity and seasonality of our mortgage banking business, litigation and regulatory risk, operational risk, counterparty risk and reputational risk;
15. The control by, and influence of, our majority stockholder;
16. A failure of, interruption in or cybersecurity attack on our network or computer systems, which could impact our ability to properly collect, process and maintain personal data, ensure ongoing mortgage and banking operations, or maintain system integrity with respect to funds settlement; and
17. Our ability to meet our forecasted earnings such that we would need to establish a valuation allowance against our deferred tax asset.

Factors that may cause future results to differ materially from historical performance and from forward-looking statements, including but not limited to the factors listed above, may be difficult to predict, may contain uncertainties that materially affect actual results, and may be beyond our control. Also, new factors emerge from time to time, and it is not possible for our management to predict the occurrence of all such factors or to assess the effect of each such factor, or the combined effect of several of the factors at one time, on our business. Any forward-looking statement speaks only as of the date on which it is made. Except to fulfill our obligations under the U.S. securities laws, we undertake no obligation to update any such statement to reflect events or circumstances after the date on which it is made.

Strong core franchise

Community bank

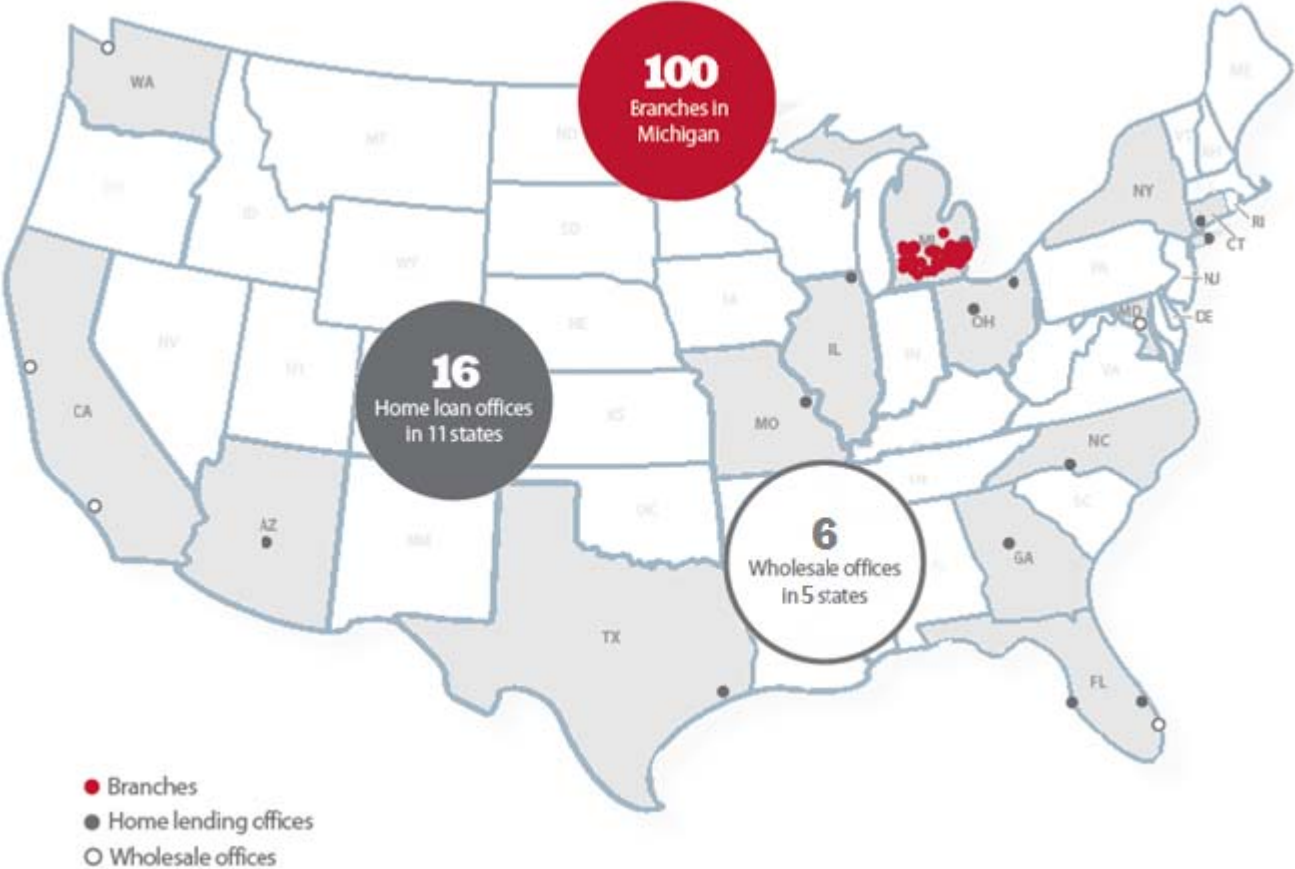
- Largest Michigan based bank
- #7 in deposit market share
- \$11.6bn of assets
- \$7.5bn of deposits
- 100 branches at May 20, 2015

Mortgage originator

- 9th largest originator nationally
- Originated more than \$25bn of residential mortgage loans during the last 12 months

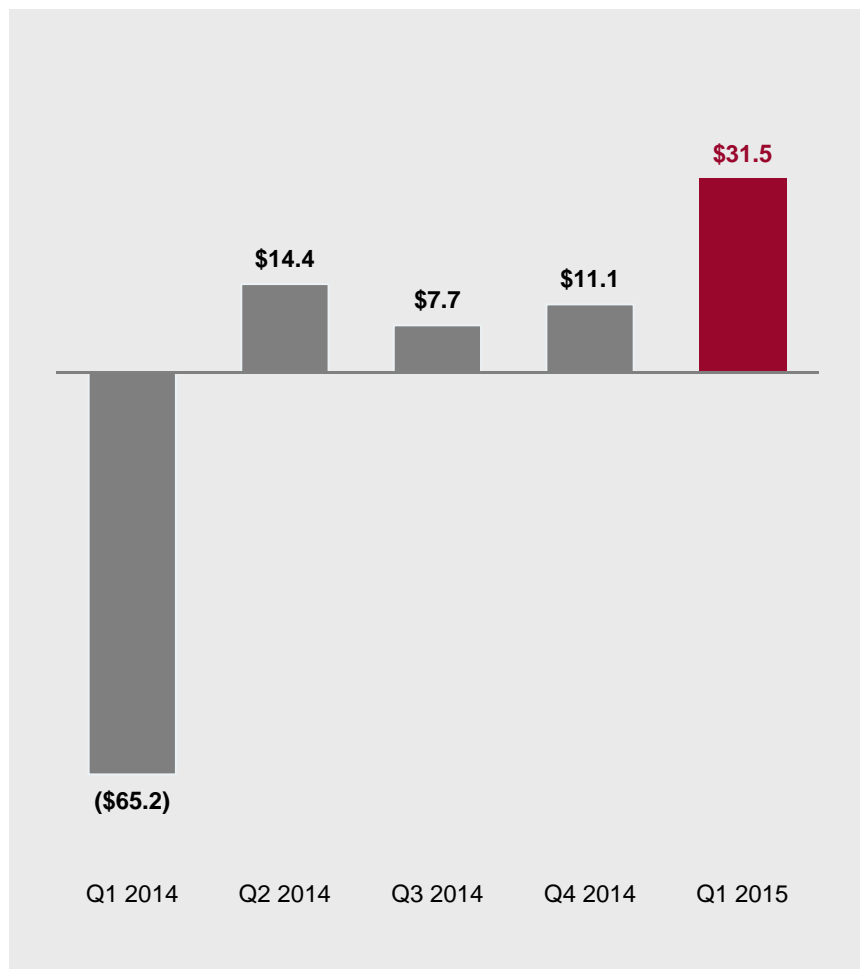
Mortgage servicer

- 17th largest combined servicer of mortgage loans nationwide
- Currently servicing nearly 400k loans
- Scalable mortgage platform to service up to 1mm loans



Financial performance

Quarterly net income, adjusted⁽¹⁾ (\$mm)



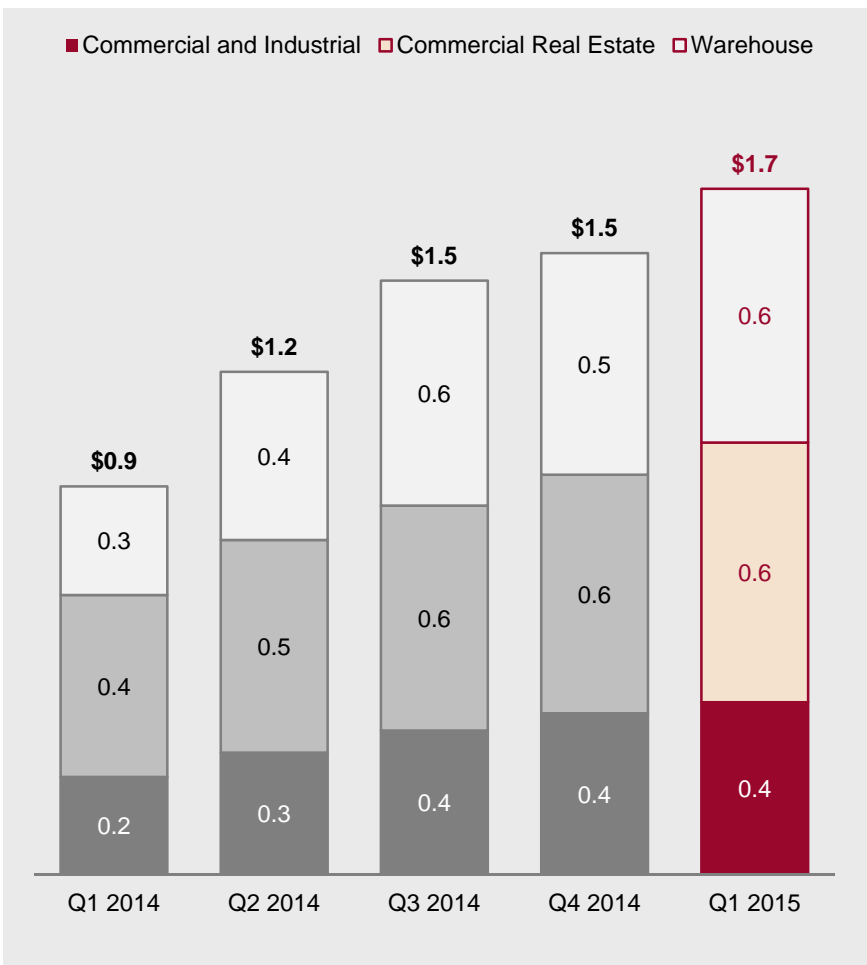
- **Flagstar made great progress on a number of fronts in 2014; we**
 - Strengthened our balance sheet
 - Continued to build our risk organization
 - Made investments for the future
 - Added new key executives to our management team
- **Although we recorded a \$69.5 million loss (\$32.0 million adjusted loss) in 2014; we**
 - Ended the year with an unadjusted profit for the fourth quarter
 - Set the foundation for a profitable 2015
- **Improve Operating Leverage**
 - Grow net interest income
 - Control credit costs
 - Increase noninterest income
 - Control operating expenses

1) See non-GAAP reconciliations in the appendix for adjusting items.

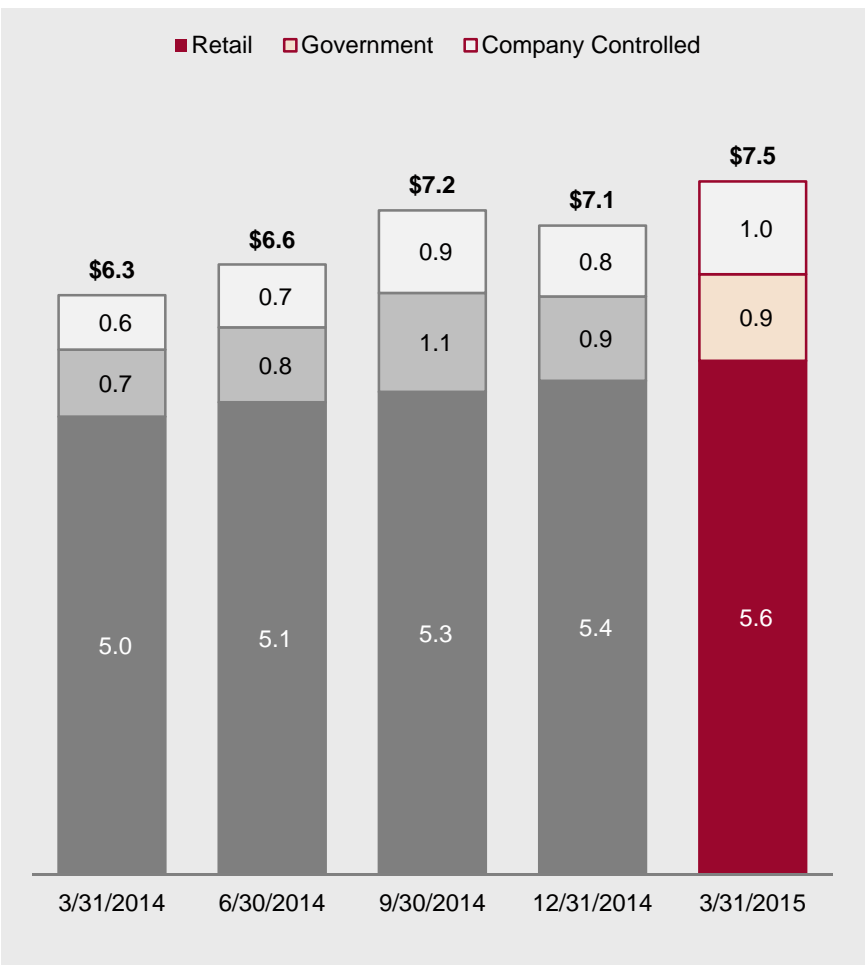
Community banking

- Flagstar has grown its community banking business in a controlled and prudent manner

Average commercial loans (\$bn)

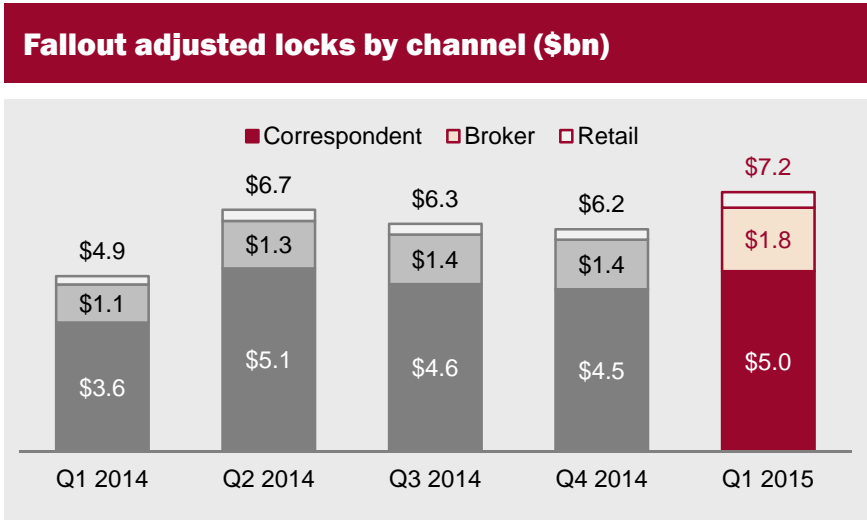
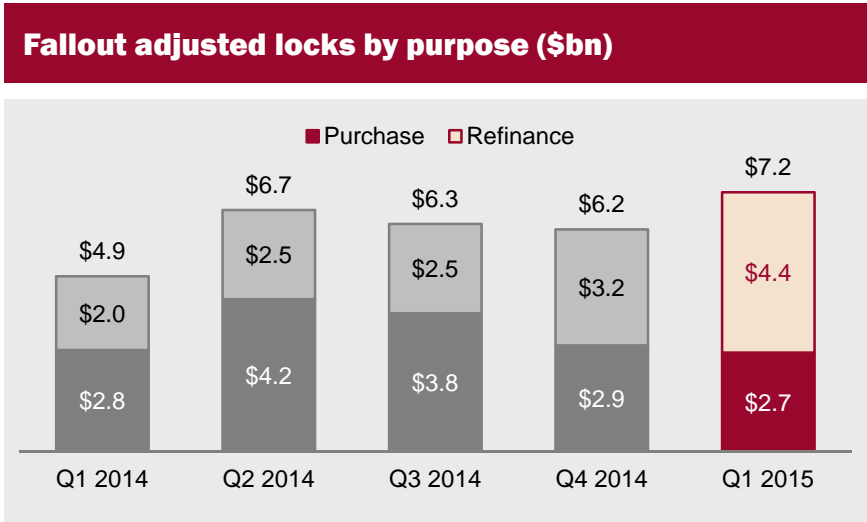
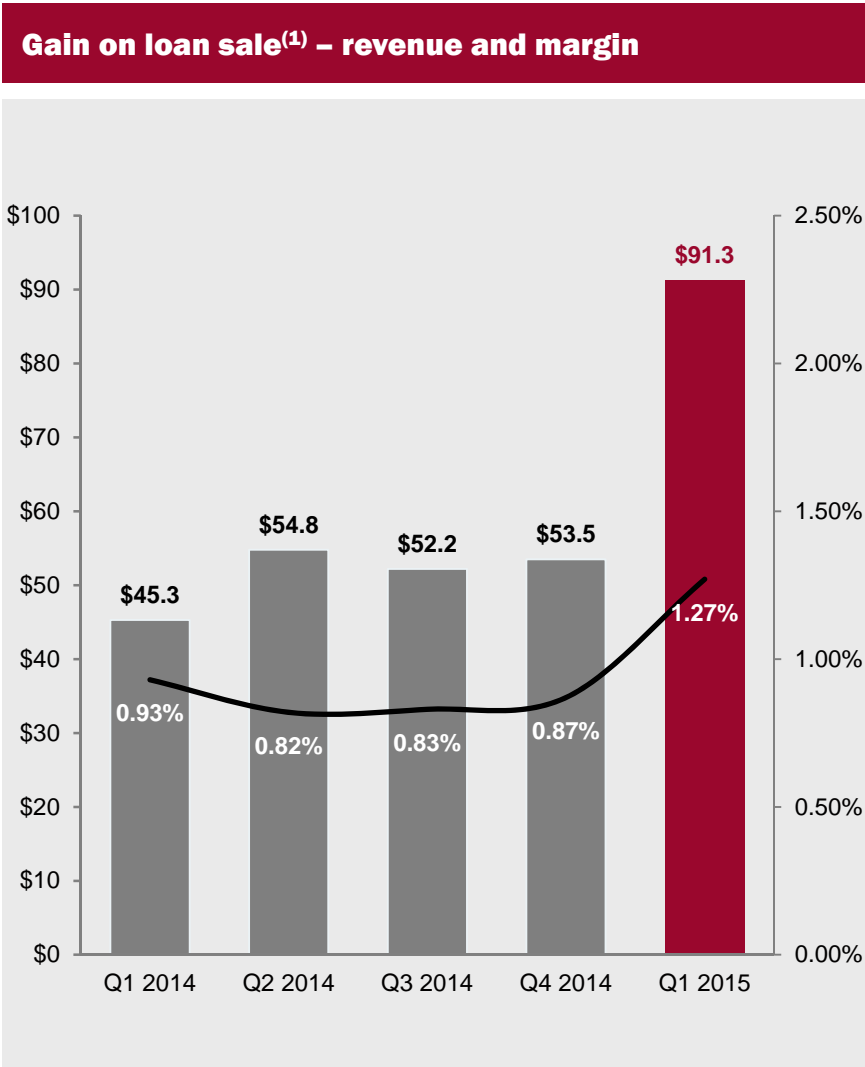


Deposits (\$bn)



Mortgage originations

- Flagstar has maintained market share in a challenging mortgage environment without compromising margin

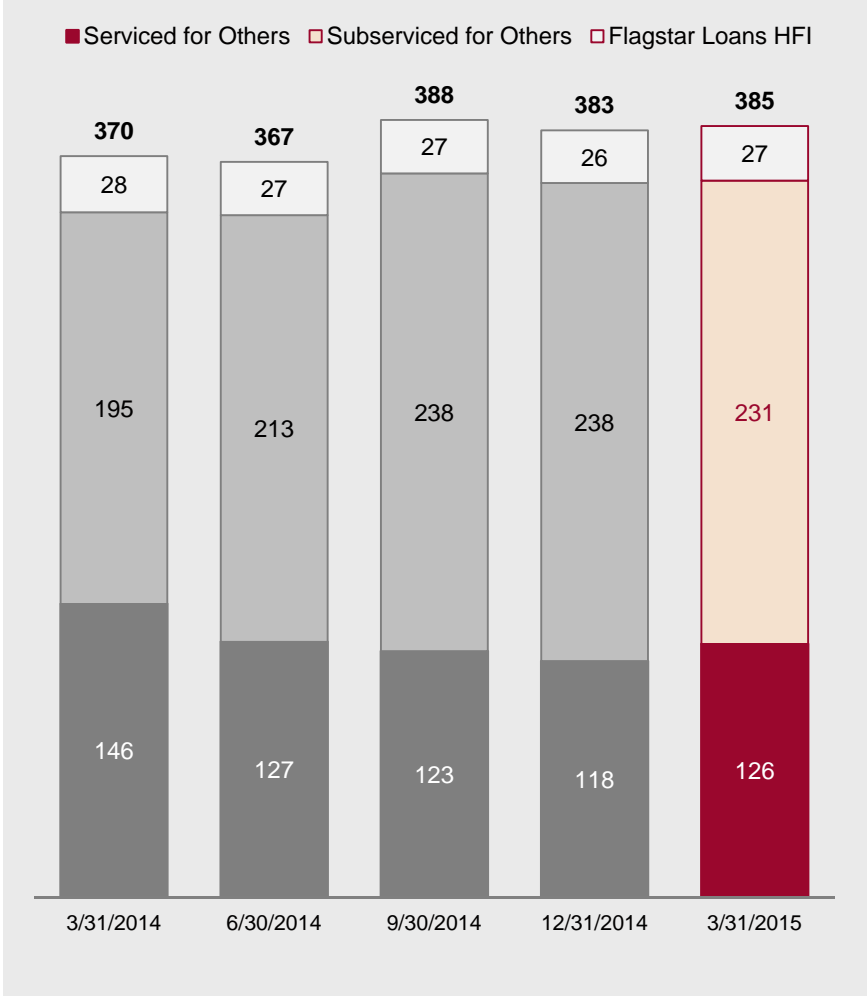


1) Based on fallout adjusted locks.

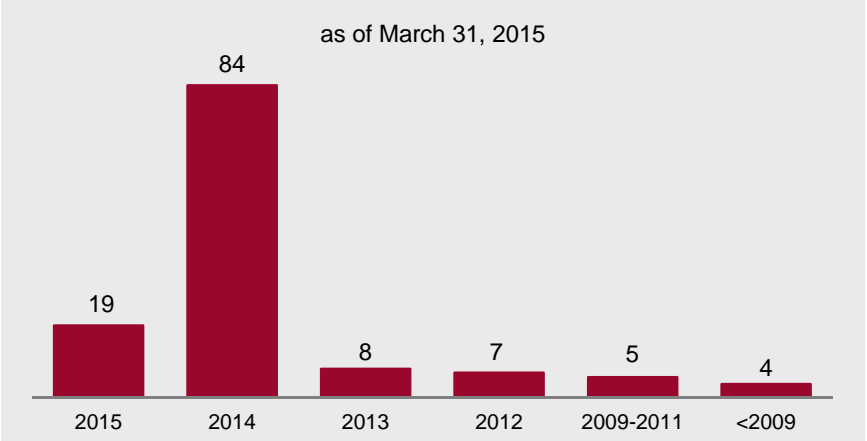
Mortgage servicing

- Flagstar has leveraged our loan servicing fee income to offset the cyclical nature of mortgage originations

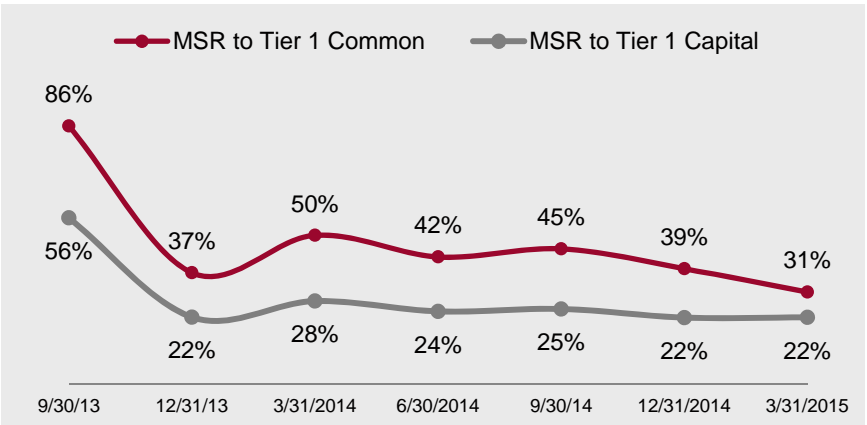
of loans serviced and subserviced (000s)



loans serviced for others by vintage (000's)



MSR / regulatory capital⁽¹⁾



Building shareholder value

- Increasing shareholder value is our number one goal. We plan to accomplish this by focusing on:

Value	Description
S ervice	<ul style="list-style-type: none">• The way we communicate with one another and our customers says a lot about Flagstar as a company. We choose to be engaged in our work and committed to helping each other, seeing challenges as inspirations rather than obstacles. We're compelled to do things right the first time—offering the same level of service we expect and appreciate in return.
T rust	<ul style="list-style-type: none">• We know our customers want substance—not lip service. We're committed to building a culture of mutual respect and transparency where our personal ethics, the caliber of our work, and the integrity we strive to uphold are without compromise.
A ccountability	<ul style="list-style-type: none">• It's imperative that we live up to the commitments we make—to our work, to our customers, to each other. When we give our word, we commit ourselves to taking action. Standing behind what we say and do isn't an option; it's a way of life. And we'll always look for ways to improve what's in place today and plan for tomorrow.
R esults	<ul style="list-style-type: none">• Like any business, the bottom line is important. But we'd rather measure our success by how those numbers are achieved. We can never lose sight of the part we play in our customers' and employees' daily lives, the impact we make in our communities, and the obligations we have to every one of our investors.

Questions

Sandro DiNello, CEO

Report of Inspectors

Christine Reid, Corporate Secretary

Adjournment

John Lewis, Chairman

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Non-GAAP reconciliation

Efficiency ratio and earnings per share

\$mm	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Net interest income (a)	\$58.2	\$62.4	\$64.4	\$61.3	\$64.9
Noninterest income (b)	75.0	102.5	85.2	98.4	118.3
Less provisions:					
Representation and warranty reserve - change in estimate	(1.7)	5.2	2.2	(6.1)	(1.5)
Adjusting items :					
Loan fees and charges ⁽¹⁾	-	(10.0)	-	-	-
Representation and warranty reserve – change in estimate ⁽²⁾	-	-	10.3	-	-
Other noninterest income ⁽³⁾	21.1	-	-	-	-
Adjusted noninterest income	\$96.1	\$92.5	\$95.5	\$98.4	\$118.3
Adjusted income (c)	\$152.6	\$160.1	\$162.1	\$153.7	\$181.7
Noninterest expense (d)	\$139.3	\$121.4	\$179.4	\$139.2	\$137.0
Adjusting items :					
Legal and professional expense ⁽⁴⁾	-	(2.9)	(1.1)	-	-
Other noninterest expense ⁽⁵⁾	-	10.0	(37.5)	-	-
Adjusted noninterest expense (e)	\$139.3	\$128.5	\$140.8	\$139.2	\$137.0
Efficiency ratio (d/(a+b))	104.6%	73.6%	120.0%	87.2%	74.8%
Efficiency ratio (adjusted) (e/c)	91.3%	80.2%	86.8%	90.6%	75.4%
Net (loss) income applicable to common stockholders	(\$78.9)	\$25.5	(\$27.6)	\$11.1	\$31.5
Adjustment to remove adjusting items	21.1	(17.1)	49.0	-	-
Tax impact of adjusting items	(7.4)	6.0	(13.6)	-	-
Adjusting tax item	-	-	-	-	-
Adjusted net (loss) income applicable to common stockholders	(\$65.2)	\$14.4	\$7.7	\$11.1	\$31.5
Diluted (loss) income per share	(\$1.51)	\$0.33	(\$0.61)	\$0.07	\$0.43
Adjustment to remove adjusting items	0.38	(0.31)	0.86	-	-
Tax impact of adjusting items	(0.13)	0.11	(0.24)	-	-
Adjusting tax item	-	-	-	-	-
Diluted adjusted (loss) income per share	(\$1.26)	\$0.13	\$0.01	\$0.07	\$0.43
Weighted average shares outstanding					
Basic	56,194,184	56,230,458	56,249,300	56,310,858	56,385,454
Diluted	56,194,184	56,822,102	56,249,300	56,792,751	56,775,039

- 1) Reverse benefit for contract renegotiation.
- 2) Add back reserve increase related to indemnifications claims on government insured loans.
- 3) Negative fair value adjustment on repurchased performing loans and a benefit for contract renegotiation.
- 4) Adjust for legal expenses related to the litigation settlements during the respective periods.
- 5) Adjust for CFPB litigation settlement expense.